Annual Report 1989

Workers' Compensation Commission
of Newfoundland and Labrador

90-04899/

WORKERS' COMPENSATION COMMISSION
OF NEWFOUNDLAND AND LABRADOR
146-148 FOREST ROAD, P.O. BOX 9000, STN. "B", ST. JOHN'S, NFLD., CANADA A1A 3B8
Telephone (709) 778-1000 Fax (709) 738-1714

BOARD OF DIRECTORS

PENELOPE M. ROWE
Chairperson

March 15, 1990

The Honourable Patricia Cowan
Minister of Employment and Labour Relations
Second Floor; West Block
Confederation Building
P.O. Box 8700
St. John's, NF
A1C 4J6

Dear Minister:

In compliance with Section 12(1) of the Workers' Compensation Act, 1983, I am pleased to submit the Annual Report of the Workers' Compensation Commission of Newfoundland and Labrador for the year ended December 31, 1989.

The report presents information on the Commission's transactions for the 1989 calendar year, including the range of services provided, the number of people who benefited, and audited financial statements.

I commend the Report for your review.

Respectfully submitted,

Penelope M. Rowe
Chairperson
On behalf of the Board of Directors

PMR:bg

TABLE OF CONTENTS

Introduction 3
Structure of the Workers' Compensation Commission 4
Overview from the Chairperson 6
1989 Summary from the Chief Executive Officer 7
Claims Department 8
Rehabilitation Department 11
Medical Services Department 12
Financial Services Department 13
Information Systems Department 16
Administration Department 17
Internal Review 18
Quality Assurance 19
Financial Statements & Notes 20
Statistics 36

INTRODUCTION

The Annual Report of the Workers' Compensation Commission presents a review of activity for the year ending 1989 12 31.

The Workers' Compensation Act/Regulations 1983-1984 governs the operation of a no-fault work injury insurance program for the workers and employers of the Province. This program provides to the worker guaranteed wage loss protection; payment of medical costs associated with work injury and disease; rehabilitation; and protection from suit to the employer.

The enclosed material provides information on the operation of the Commission. For further information on any aspect of the Commission, please contact:

PUBLIC RELATIONS MANAGER
WORKERS' COMPENSATION COMMISSION
OF NEWFOUNDLAND AND LABRADOR
146-148 FOREST ROAD
P.O. BOX 9000, STN. "B"
ST. JOHN'S, NEWFOUNDLAND
A1A 3B8

(TEL: 709-778-1223)

WORKERS' COMPENSATION COMMISSION
OF NEWFOUNDLAND AND LABRADOR

BOARD OF DIRECTORS

Penelope Rowe — Chairperson

Catherine Penney — Vice Chairperson

MEMBERS

LABOUR REPRESENTATIVES
Jeanette Andrews
Dan Whelan
Earle McCurdy

EMPLOYER REPRESENTATIVES
Bruce Chapman
Norma Frampton
Dr. John Bessell

PUBLIC REPRESENTATIVES
Harry Andrews
Bob Moore
Genevieve Mullins

D. Wayne Mitchell, Chief Executive Officer (Ex-officio)

Gordon Seabright, Chairman, Appeal Tribunal (Ex-officio)

Max Bursey, Secretary to the Board

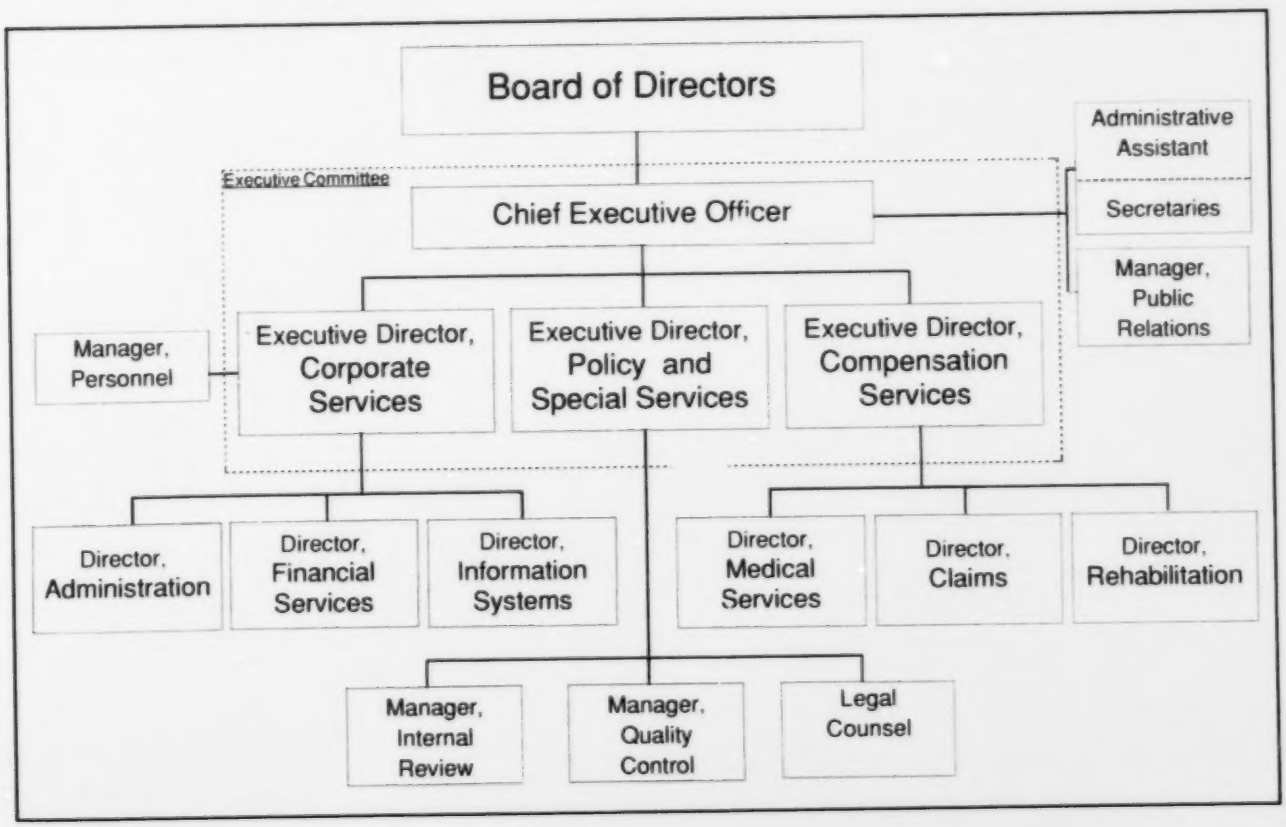
WORKERS' COMPENSATION COMMISSION EXECUTIVE COMMITTEE

D. Wayne Mitchell	—	Chief Executive Officer
Max Bursey	—	Executive Director, Policy and Special Services
Derek Forsey	—	Executive Director, Corporate Services
Norman Kennedy	—	Executive Director, Compensation Services

DEDICATED TO THE PROVISION OF PROMPT AND ADEQUATE INCOME PROTECTION TO VICTIMS OF INDUSTRIAL INJURY AND TO THEIR FULLEST POSSIBLE REHABILITATION.

BOARD OF DIRECTORS, WORKERS' COMPENSATION COMMISSION

Seated (L-R) Dr. John Bessell, Dr. Catherine Penney, Penelope Rowe, Earle McCurdy. Standing: Genevieve Mullins, Dan Whelan, Norma Frampton, Harry Andrews, Bruce Chapman. Insert photo: Bob Moore.



OVERVIEW

PENELOPE M. ROWE
Chairperson — Board of Directors

The Board of Directors of the Workers' Compensation Commission is charged with the administration of the Workers' Compensation Act. This entails establishing policies and programs for the provision of compensation benefits and rehabilitation for injured workers, as well as setting appropriate methods of payroll assessment.

Adequate benefits can only be provided if there is an adequate financial foundation derived from employers' assessments and sound investments. The Board's role is to be vigilant to changing program demands and changing financial trends in order to ensure that the system meets the needs of injured workers while remaining sufficiently funded to underwrite the cost of delivering programs. In the face of frequent and costly workplace injuries and a straitened economic climate these twin responsibilities present major challenges.

In addition the Board of Directors is required to review the legislation and regulations and recommend to the Minister such changes as it deems necessary.

Workplace injuries, especially those which impair the ability of the worker to return to former employment, may create great stress on the worker and his or her family .In many instances the emotional stress is far more devastating than the potential financial loss. And the emotional stress is much more difficult for the worker and the Commision to deal with satisfactorily .The expectations of the degree to which workers' compensation can restore the pre-injury lifestyle of a seriously injured worker may outstrip the actual capacity of any insurance program. In the end there will be workers who cannot return to their pre-injury state and who will always suffer the pain of their injuries. No amount of financial compensation or rehabilitation will remove that emotional strain. There will also be workers who upon regaining their physical capacity may not be able to find work. Understandably the Commission will bear the brunt of these frustrations even though there may be no solution within its mandate.

Since joining the Board in September 1989 I have been fortunate to have the support of dedicated Board members and staff for whom the primary motivation is creating a strong policy and program environment responsive to the concerns of both employees and employers in the event of workplace injuries. Together we have been tackling many outstanding and emerging issues. In the first few months of its tenure the Board committed itself to greater consultation with stakeholders and to developing a revenue strategy aimed at the long term viaiblity of workers' compensation in this Province.

The urgency of conducting a comprehensive review of the Commission's funding position was underlined at the end of 1989, when the Commission received a report from its actuarial consultant assessing the financial impact of the 1984 legislative amendments respecting Rehabilitation and Extended Earnings Loss. Until this year there had been insufficient injury experience for these two benefits programs on which to produce sound actuarial estimates. Based upon the actuarial report, the Commission has had to record additional estimated liabilities in 1989 of $26.9 million for Rehabilitation and Extended Earnings Loss. This includes $16.3 million for injuries occurring before 1989. The effect of recognizing the accumulated liabilities over the last five years in the current year's financial statements, causes a decline in the Commission's funding position from 90.3% recorded in 1988 to 75.8% at the end of 1989.

The accumulated class deficit at the end of 1989 now stands at $51.7 million — a matter of grave concern to the Board of Directors and management.

An examination of the cash payments contained elsewhere in this Annual Report shows that during the past year actual claims cash payments for rehabilitation increased by 35.7% and Extended Earnings Loss payments increased by 154.9%. Claims expenditures (current year's claims plus liabilities for future payments) for Rehabilitation were up by 357.0% and for Extended Earnings Loss by 284.2%.

The negative affect of the accumulated class deficit and the increasing cost of programs on the financial security of the compensation system in this Province will require the full dedication of the Board and staff to reverse. But reversing the trend will also require a more aggressive approach to workplace safety. The goodwill of both employers and employees is essential if the Commission is to arrive at acceptable solutions to guarantee that the capacity to provide adequate insurance for injured workers is protected in the long term.

Penelope M. Rowe, MSc
Chairperson

SUMMARY 1989

D. WAYNE MITCHELL — Chief Executive Officer

The 1989 year can best be characterized as a period of transition for the Workers' Compensation Commission of Newfoundland and Labrador. The term of the former Board of Directors expired in February. There was a change in Chief Executive Officers in May. A new Appeals Tribunal came on the scene in June. In August, a new Board of Directors was appointed.

Throughout it all, however, the staff of the Commission remained diligent in ensuring that the basic services of the Commission continued uninterrupted. I should, therefore, like to extend my sincere gratitude to all the members of management and staff for their faithful service, co-operation and patience amid the many changes that occurred around them in 1989.

The focus of attention for the new Board and Chief Executive Officer was first and foremost on dealing with outstanding issues. Included among the matters which required priority attention were three decisions from the Workers' Compensation Appeal Tribunal which in the Commission's opinion were inconsistent with established policy or the intent of the Act. These decisions were referred to the Board of Directors for review and determination under the provisions of Section 21.7 of the Workers' Compensation Act. A further reference under Section 21.7 was made by the Workers' Compensation Appeal Tribunal to the Board of Directors for a determination of the policy respecting payment of interest on delayed compensation benefits.

Another priority was the reassessment of the Report of the 1986 Review Committee. The Minister of Employment and Labour Relations requested the incoming Board to consider the Report before Government proceeded to deal with the recommendations.

A third major activity that required considerable time and effort throughout the Fall was the setting of assessment rates and administration budget for 1990. Employers were notified of 1990 assessment rates in December 1989. This was the earliest practical timeframe given the appointment of the Board of Directors late in the year. For 1990, the Board of Directors have established a target date of September for notification to employers of assessment rates in the ensuing year.

The transition from one corporate Board to another and the change in executive leadership, occurring as it did throughout the year, presented limited opportunities to chart the future direction for the Workers' Compensation Commission into the 1990's. In spite of the heavy demands associated with reacting to various priorities, a start was made in 1989 to formulate policies in several key areas.

The Multi-Disciplinary Assessment Unit operated by the General Hospital Corporation at the Miller Center is the focus for a comprehensive reassessment. Included in the changes to be implemented will be the treatment of injured workers as out-patients rather than having them subjected to confinement associated with the current institutional arrangement. This change in the delivery method, combined with other refinements that are being explored, are designed to respond to the various criticisms from injured workers over the operation of the Miller Centre program.

The establishment of a Chronic Pain Unit to be operated by the General Hospital Corporation at the Miller Centre has been approved. This responds to a basic need that exists for

SUMMARY continued

which there is no other alternative but out-of-Province treatment. The impact of the Chronic Pain Unit is to be evaluated after a reasonable period. This assessment will be used as the basis for the Board of Directors to decide upon continuation or changes that may be necessary.

The Commission adopted a new approach for the payment of medical fees for services to injured workers. Physicians will, commencing in 1990, be paid in relation to Medical Care fees negotiated between the Province and the Newfoundland Medical Association. The Commission will pay an additional premium of 10% plus a separate reporting fee. This method of payment is viewed to be more consistent, administratively simple and in line with the situation in many other Provinces.

The need for consultation with the major stakeholders in the workers' compensation system is clearly recognized. To this end, meetings were held with the Newfoundland and Labrador Federation of Labour, the Newfoundland and Labrador Employers' Labour Relations Council, as well as other groups and associations in 1989. The Workers' Compensation Commission will be receptive to continuing dialogue in the future and will be sensitive to representation pertaining to any aspect of its operations.

The year ahead presents many challenges and opportunities. In the final analysis, success can only be achieved through a team effort. This demands a committed Board of Directors receiving sound guidance from the Executive and continuing support of the staff working in concert with the various stakeholders in the workers' compensation system.

D. Wayne Mitchell
Chief Executive Officer

CLAIMS DEPARTMENT

JOHN BAMBRICK — Director

The Claims Department processes all claims submitted to the Commission, and provides appropriate compensation services to clients. Claims staff gather information and documentation to determine clients' entitlement, and process benefits once entitlement is established.

Claims Processing

Benefits include Temporary Earnings Loss while a worker is recovering from an on-the-job injury or disease; Dependency Benefits to the spouse and/or children in fatal injury cases; Permanent Functional Impairment Awards based on physical disability, and paid in a lump sum; Medical Aid Benefits, including doctors' bills, prescribed drugs, hospital costs, eligible travel expenses, physiotherapy, prosthesis, etc.

Total claims reported for 1989: 20,486, of which the department accepted 19,027. In 1988 the department received 20,124 claims, of which 18,782 were accepted.

The claims breakdown for acceptable claims in 1989, with 1988 figures in brackets, were:

Temporary Earnings Loss	10,642	(9,967)
Medical Aid	8,364	(8,796)
Fatal	21	(19)
Total	19,027	(18,782)

Fatal Injuries, 1989

Drowning - Rescue	3
Drowning - Fishing	7
Heart Attack	2
Struck by	1
Explosion	2
Machinery	1
Motor vehicle	2
Crushed by	2
Fall	1

In 1989, the time required to process earnings loss claims was substantially reduced over previous years.

To move claims faster, the Commission revised the process of summarizing claims so they could be reviewed on receipt of two of the three primary reports, i.e. a Form 7 (Employers Report of Injury) plus one other report, either a Form 6 (Workers Report of Injury) or a Form 8 (Physicians First Report). As a result, claims can now move from the assembly stage to the adjudication process at a much faster pace. Previously, all three reports were necessary except where seriously injured workers were concerned. Now, all claims are processed two days from the date they are received by the Adjudication Division.

Client Services Role

To enhance client services, the Claims Adjudication Division has taken a more active role to improve communications with injured workers, their families and their representatives. As part of this proactive process, Adjudicators are providing information presentations to employer and employee groups throughout the Province.

Also, whenever possible, Adjudicators serve as liaison and contact representatives between the Commission and employers. This approach provides an excellent basis on which to build a mutually beneficial relationship between employees and the Commission. One benefit from this approach is that employers take an interest in the well being of injured workers by, for example, arranging early return to employment through modified and ease back to work programs. Employers themselves benefit because the worker is back on the job more quickly as a valued employee, providing services and thereby reducing unnecessary compensation costs which in turn helps control assessment rates against the employer.

Claims Investigations

The Claims Investigation unit provides the Adjudication Division with information to help make just decisions on injured workers' claims. Investigations are important in third party claims, fatal injury claims, etc.

Permanent Disabilities

In 1989 the Permanent Disabilities Unit was successful in processing 423 claims submitted for Permanent Functional Impairment Awards (P.F.I.). They are awarded on the basis of disfigurement and/or loss of bodily function, and modification in the worker's lifestyle.

Dependency benefits on account of fatal injuries were processed in 21 cases where entitlement was shown. However, where information was incomplete, a few cases were referred for a full investigation.

Conversion

The conversion of the pre-1984 permanent disability claims to the wage loss system continued in 1989. It will take another two years to complete, since the task is more difficult than was first envisioned.

In conversion, the Adjudicator determines whether a worker is entitled to (1) a "top-up" of current pension, i.e. payment of an extended earnings loss; (2) a lump sum of life pension; (3) any change to the permanent disability status.

Dependency benefits resulting from fatal injury/disease cases will not be affected by the conversion process.

Adjudication Goals for 1990

For the ensuing year Adjudication has several goals. These are (a) Re-

structuring, which will provide a more efficient service to injured workers. Through this process Adjudicators will be responsible for a particular area of compensation, i.e. third party, industrial disease, fatal injury cases, etc.; (b) Training, which will be undertaken in the early part of the year, for adjudication staff, in their various specialties; (c) Procedural Manuals for Permanent Disabilities and Adjudication will be completed; (d) the Adjudication Division will work closely with the Quality Assurance Manager to set standards for Adjudicators. These standards will enable Adjudicators to provide more efficient service for injured workers and employers throughout the province; (e) claims turnaround time will be continuously monitored to ensure a high level of efficiency is maintained.

In 1990, the Claims Department intends to combine Form 6, Workers' Report of Injury and Form 7, Employer's Report of Injury into one form. There are a number of benefits to be derived from this change: the employee and employer will play a role in completing the injury report, paperwork will be reduced and claims will be processed more quickly.

To facilitate this change, employers and workers have been invited to make suggestions to the Commission on ways to improve the combined form relating to the reporting of injuries.

REHABILITATION DEPARTMENT

DON MYRON — Director

The objectives of the Rehabilitation Department are to assist workers to return to work; to retrain workers so that they are qualified for employment where a more direct return to work is unlikely; to determine whether workers have an ongoing earnings loss after medical and vocational rehabilitation services have been extended.

In 1989 the Department's caseload was 1499 workers. Individual counsellor caseloads rose from a 50 to 1 ratio, to 90 to 1. This was the result of a 60 percent increase in new referrals and a 28 percent increase in vocational programs.

During the year 647 Rehabilitation cases were closed, with 422, or 65 percent, being returned to employment. Employment and training program costs for the Department were $5.9 million in 1989. This was an increase of $1.6 million over 1988.

The increased workload and costs shown in 1989 are attributable to the Commission's emphasis on returning workers to the workforce as quickly as possible. With medical approval, this involves placing workers on modified work duties with the accident employer, or allowing workers to gradually ease back to their regular job duties.

This early intervention program counteracts the debilitating effects on workers who are away form the workforce for long periods. Many such workers can settle into passive lifestyles, often losing the will to return to productive employment.

The Commission therefore decided in 1989 to place more emphasis on early intervention, and it developed an ease back to work and a modified work program.

With the co-operation of Western Memorial Regional Hospital in Corner Brook, a pilot project on early intervention was started in January 1989, and was later extended to industry generally through presentations and individual employer contact by Rehabilitation Department staff.

Twenty-five injured workers participated in the Western Memorial Hospital pilot project. Eleven returned to their regular pre-injury jobs; seven continued on the program; four discontinued and are under more intensive medical care; one is in training; one is employed in a new job; one is retired.

During the year, the Department monitored 516 of these programs within industry and they showed similar results to the Western Memorial pilot program. Fifty-five percent of participants returned to regular employment, and 28 percent were continuing on the program.

While initial evaluation of the early intervention program is very encouraging, the program has placed increased work on counselling staff, with a 60 percent increase in caseload, and has accounted for almost 90 percent of the increased costs over 1988.

The Department believes the most effective rehabilitation measure is to return workers to their usual work environment, and this should be done as early as possible.

Therefore, in 1990, the department will continue to place emphasis on this program and intends to deploy an additional counsellor exclusively to it.

However, the success of this program is not attributable to the Rehabilitation Department alone. Employers and labour must actively encourage the return to work concept, both as a cost efficiency method and, more importantly, as a means of actively assisting workers to remain productive members of the workforce.

In cases where usual employment programs are not adequate to assist workers in returning to the workforce, the Department provides retraining opportunities so workers can become more qualified to pursue alternative employment prospectives themselves.

Training programs and costs in 1989 were consistent with previous years. For example, in 1989 there were 370 programs which cost $2.4 million. This compared with 1988 when there were 364 programs costing $2.3 million.

This accounts for 41 percent of the Department's total expenditures, and 23 percent of the Department's total programs in 1989 as compared to 53% and 29% in 1988.

When the Commission has extended full medical and vocational services, it has a final responsibility to determine whether the worker, as a result of the injury and subsequent disability, continues to experience a loss in earning capacity, and to compensate that loss for as long as it exists or to age 65 years.

In terms of long term and full or partial earning loss in 1989, there were 173 workers who became eligible for benefits.

As a result of the 1983 legislation introducing the wage loss compensation system, the Rehabilitation Department has been assigned a new and very significant increase in responsibility. This is to assist workers to return to employment where they can earn income equal to their pre-injury level. Equally, it has placed a new and increased demand on industry and labour to become more involved in providing opportunities for injured workers to return to the workforce at a level comparable to their pre-injury status.

MEDICAL SERVICES DEPARTMENT

DR. GRAHAM COOK — Director

The Department of Medical Services continues to develop and improve its services to injured workers so they can get access quickly and easily to the care they need.

Early return to work is recognized as an element of appropriate medical care, and early vocational rehabilitation efforts are actively encouraged.

For some time now, the Commission, through the Medical Services Department, have been finalizing a plan for a CT Scan purchase at St. Clare's Mercy Hospital. In the summer of 1990, workers will be able to avail of priority access to this new investigative equipment.

The multidisciplinary team assessment program provided at the Leonard A. Miller Centre, has been subject to criticism by injured workers. It has therefore been decided, after some study, that instead of continuing as an in-patient program, it will now become a day-care hospital-based program. Specifically, emphasis in future will be on wellness and function of the injured worker, rather than on the "sick role". Thus, a more normal existence for the recuperating worker will be encouraged through this change.

In another development in 1989, approval was received to work out an arrangement with the General Hospital Corporation to set up a chronic pain clinic at the Leonard A. Miller Centre. The clinic will be operational in early 1990. Up to now, injured workers had to go outside the Province to obtain this type of care.

The Commission is looking forward to the opening of this new clinic, as it will provide much better essential care to injured Newfoundland workers.

Because it is a major priority of the Workers' Compensation Commission to provide access to appropriate medical care as near as possible to injured workers' homes, priority physiotherapy access has been provided by Western Memorial Regional Hospital in Corner Brook and Carbonear General Hospital. As an extension to this initiative, negotiations are going on to make similar treatment available at the Burin Peninsula Health Care Centre. In addition, the Commission will be looking to Western Memorial Regional Hospital in Corner Brook, James Paton Hospital in Gander and St. Clare's Mercy Hospital in St. John's and possibly elsewhere where orthopedic surgeons practice, and seeking priority access to beds and investigative and treatment faclities.

Other programs previously established by the Department of Medical Services continue to be used extensively. In 1989, for example, 804 injured workers were referred to priority appointments with orthopedic surgeons. In 1988, for comparison, there were 579 cases referred. Also the EMG/Nerve Conduction beds at the General Hospital Corporation continue to be used regularly.

The workload within the Department in 1989 showed a steady increase, as it has over a number of years. For example, there was a 25% increase in the number of injured workers examined at the Commission during 1989. Fifty-five percent of these were for functional impairment ratings, and 45 percent for medical assessments.

The decision-making departments, Claims and Rehabilitation, availed of the Medical Department's physicians more frequently to provide medical input to individual claims. In fact, the Rehabilitation Department showed more than a 40% increase in use over 1988.

The Department of Medical Services has a continuing responsibility to provide prompt and appropriate medical care for the Provinces' injured workers. Timely medical advice is dispersed to the Commission's decision-making departments on a day-to-day basis, to achieve this objective.

MEDICAL SERVICES DEPARTMENT CASELOAD

	1989	1988
Workers examined	1,234	988
Referrals to Medical Advisory Committee	43	66
Referrals to Miller Centre	248	243
Referrals to Orthopaedic Surgeons	804	579
Admissions to Health Sciences Centre	189	235
Referrals for consultation and advice:		
From Claims Dept.	11,340	10,885
From Rehabilitation Dept.	2,215	1,524
From Executive	188	121
From Other Provincial Boards	80	93
Referrals for Occupational Diseases:		
Hearing	186	155
Respiratory	100	187
Referrals for Hospital Admission Assistance	1,070	1,197
	17,697	16,273

FINANCIAL SERVICES DEPARTMENT

ERIC BARTLETT — Director

The Financial Services Department is responsible for the registration, classification and assessment of employers as well as ensuring the Injury Fund is properly financed, administered and accounted for.

Investments

The asset mix of the Commission's long-term investment portfolio managed by external investment professionals is 80% bonds and 20% stocks. The portfolio's overall objective is to earn the highest return consistent with an acceptable level of risk tolerance. Short-term investments, to meet day-to-day requirements, are managed internally.

The book value of investments increased to $78.9 million in 1989, an increase of 8.7%. Average return on investments increased to 13.6% from 10% in 1988. Net investment income rose to $9.2 million, exceeding the $7.5 million recorded in 1988.

Accounting

The Accounting Division is responsible for general ledger and accounts payable functions, short-term investments, experience rating, budgeting and financial planning.

In 1989, as part of an ongoing process to eliminate manual processing respecting banking activities, the Accounting Division availed of a new service offered by the bankers. This new service eliminated the requirement to physically store paid cheques and perform manual bank reconciliations. All paid cheques are now retained, microfilmed and stored by the bank. As well, reconciliation of cheques issued and paid are performed automatically.

The Accounting Division will continue to assess electronic banking services with a view to improving services internally as well as to external clients.

Development of a budgeting system for program benefit expenditures, which was initiated in late 1988, continued in 1989. Beginning in 1990, for the first time, program budgets will be available for use by internal management. Enhancements to the system will be completed in 1990 through the development of online screen inquiries.

This new system will aid internal management in the decision making process by providing timely reports and information on program expenditures. This will enable the Commission to provide employers with more detailed and timely explanations of injury expenditures.

In 1989 cash flow budgeting was formally developed and introduced for use within the Division. The cash flow budget was developed to aid decision making respecting the investment of short-term funds.

As part of an overall Commission goal, a comprehensive workflow and jobs procedures manual was also completed. This manual aids staff training and will be used for establishing job standards under the Commission's newly adopted Quality Assurance program.

Experience rating was introduced and implemented in 1989 in nursing homes and hospitals. Extensive analysis was also carried out in 1989 with a view to introduction of the system in other rate groups. A decision to expand experience ratings will be considered in 1990.

Assessments

The Assessment Division is responsible for registration and classification of employers, audit of employer payrolls, collections and rate setting.

At the end of 1989 there were 11,667 active employer accounts compared to 10,992 at the end of 1988. Of the 11,667 active accounts, 4,032 were audited by our field payroll audit staff. Field payroll auditors are responsible for ensuring employers are reporting payrolls accurately and complying with the various provisions of the Act and Regulations. As well, the payroll audit staff conduct investigations into employer classification appeals and follow up on reports of non-registered employers.

Collections continued as a major priority during 1989. In an effort to minimize bad debts and keep receivables down, legal action on accounts was increased. As well, a collections officer was added to the regional office in Corner Brook to service the west coast of the Province. Overall, assessment of accounts receivable at the end of the year (net of the provision for unbilled assessments and allowance for doubtful accounts) was 6.0% of assessment revenue compared to 6.8% in 1988.

Consultation with employers, employer groups and associations increased in 1989 in response to a growing need for more input into the system from employers. Consultation with industry on assessment matters will continue as a priority in 1990. With respect to assessment rates, it is the intention of the Commission to set and publish rates no later than September 30th of eachyear so employers may budget for the coming year. In the past, rates were usually announced in November or December.

Over the last year, employer inquiries, employer registrations and requests for letters of good standing increased dramatically. To meet the continued increased demand in these areas and to improve our service to employers, the Division added two

positions to its staff complement.

As well, the Division developed detailed job procedures and documented workflows for the assessment function which will lead to the establishment of job standards. This was done in response to a Commission objective of implementing a Quality Assurance program for the purposes of improving productivity and service to injured workers and employers.

The Division's major priority in 1990 will be the development of a formal revenue strategy.

Results of Operations

BALANCE SHEET:

In 1989 the growth in liabilities exceeded the growth in assets by $24.2 million, which caused the Commission's funding position to decline to 75.8% from 90.3% in 1988.

The growth in liabilities relates to amendments to the Workers' Compensation Act and Regulations effective January 1, 1984 which resulted in significant changes in the nature and amount of payments to injured workers.

In 1989, for the first time, the Commission's actuarial consultant evaluated the effect of the legislative changes (specifically pertaining to Rehabilitation and Extended Earnings Loss) and provided an actuarial estimate of the liability for the future costs of existing claims. Prior to 1989 sufficient injury experience for these two benefit programs was not available to do sound actuarial estimates. Based on the evaluation it is estimated that liabilities of $10.3 million for rehabilitation and $6.0 million for extended earnings loss awards exists relating to workers injured in years prior to 1989. Another $6.1 million for rehabilitation and $4.5 million for extended earnings loss awards is estimated to exist relating to workers injured in 1989. The recognition of these estimated liabilities in 1989 totalling $26.9 million of which $16.3 relates to workers injured in years prior to 1989, caused a dramatic increase in liabilities and a negative impact on the funding position.

An actuarial evaluation of the Commission's liability for dependency benefits and payments to permanently injured workers was also conducted during the year. This evaluation, however, produced a surplus of $1.5 million.

INCOME STATEMENT:

Revenues increased in 1989 by $7.8 million, of which $4.8 million was attributable to increased assessment rates for 1989; $1.8 million was from higher assessable payrolls; offset by an increase of $0.8 million in allowance for doubtful assessments. The remaining balance of the increase was mainly due to increased investment income.

Total expenditures recorded in 1989 of $103.6 million exceeded total revenues of $79.5 million by $24.1 million. This $24.1 million plus net appropriations of $1.7 million to reserve funds, when added to the previous years accumulated class deficit, resulted in a $51.7 million accumulated class deficit at the end of the year.

Of the total $103.6 million in expenditures, $93.8 million was for claims and dependency awards. However, not all of the $93.8 million was attributable to injures occurring in 1989; $34.5 million relates to prior years. Most of this prior year cost was for rehabilitation expenditures and extended earnings loss awards which, in the past, had not been estimated for on an actuarial basis because of a lack of injury experience.

A comparison of claims expenditures recorded for the years 1989 and 1988 and cash payments, by program, is shown on the following page.

FINANCIAL SERVICES DEPARTMENT continued

CLAIMS EXPENDITURES

PROGRAM	1989 ($ Thousands)	1988 ($ Thousands)	% Increase/ (Decrease)
Temporary Earnings			
Loss	$30,272	$26,206	15.5%
Medical Aid	12,397	14,192	(12.6%)
Rehabilitation	19,975	4,371	357.0%
Extended Earnings			
Loss	20,280	5,278	284.2%
Annuity	776	575	35.0%
Lump Sum	3,187	3,457	(7.8%)
Dependancy benefits and payments to permanently disabled workers	6,953	7,959	(12.6%)
	$93,840	$62,038	51.3%

CLAIMS CASH PAYMENTS

	1989 ($ Thousands)	1988 ($ Thousands)	% Increase/ (Decrease)
Temporary Earnings			
Loss	$26,948	$22,425	20.2%
Medical Aid	12,954	11,373	13.9%
Rehabilitation	5,897	4,346	35.7%
Extended Earnings			
Loss	2,717	1,066	154.9%
Annuity	23	12	91.7%
Lump Sum	3,208	3,020	6.2%
Dependancy benefits and benefits to permanently disabled workers	9,519	7,926	20.1%
	$61,266	$50,168	22.1%

INFORMATION SYSTEMS DEPARTMENT

MERVIN ANDREWS — Director

The Information Systems Department provides computing, word processing, and consulting services to the various departments of the Commission. It also provides computing services and work injury data to the Occupational Health and Safety Division of the Department of Employment and Labour Relations.

All processing in 1989 was performed on the inhouse IBM System/38 Computer which now supports a total of 100 devices including terminals, printers, and personal computers.

The Information Systems Department has two sections: Production Support / Operations and Systems Development / Research. The first is responsible for the daily operation of the computer hardware, software, remote communications, micro computers, desk top publishing, and responding to user requests internally and externally. Systems Development and Research is reponsible for developing new computer based systems and evaluating new technologies within the market place.

Production Support and Operations

Production Support and Operations responded to 418 user requests in 1989. These requests consisted of statistical reports (internal and external), maintenance to existing systems and desk top publishing which was introduced at the Commission in 1989.

The IBM System/38 installed in 1984 can no longer provide the Commission with additional capacity for growth, adequate response time, or processing power. In December, the Board of Directors approved an upgrade to the Commission's computer system which will provide sufficient capacity for growth for the next five years. The target date for installation is April of 1990.

To further enhance service to clients in Central and Western Newfoundland, two additional personal computers were added to the existing equipment at the branch offices in Grand Falls and Corner Brook.

Installation of additional personal computers in the Workers' Compensation Commission and Occupational Health and Safety branch offices is planned in 1990, to allow them access to the computer system in St. John's.

Systems Development and Research

In 1989, Systems Development staff continued working on projects started in 1988. This work will integrate and consolidate both information maintained by the Commission and the methods used to process this information.

All payment processes were examined and a single compensation payment system was designed and constructed. This new system will bring together all payment records from five separate systems and consolidate them into a base of data to be used for all injuries, statistics, and historical reporting. The system provides such features as a facility for consolidating payments from various Commission departments and issuing one cheque to the claimant or vendor; global overpayment and automatic recovery system; automated cheque cancellation and reissue processes; and centralized refund entry process.

Work is continuing on a Vendor Registration System, a Program Budgeting System, and an Invoice Entry and Approval System for the Medical Aid Division. In addition to implementation of these systems, other systems development projects to be investigated include Rehabilitation Claims Processing System; Rehabilitation Statistics System; Extended Earnings Loss Enhancements; Medical Aid Doctor Payments; Pension System Enhancements; Program Budgeting (Phase II); Annuity Capitalization System; Human Resources Informatin System; and feasibility studies on imaging and artificial intelligence technologies.

Word Processing

Word Processing is now a way of life for secretarial and clerk typing staff at the Commission. The present equipment consists of four AES Systems, supporting a total of 24 screens and 14 printers located throughout the Commission Departments.

In 1989 four screens and two printers were added to provide a more efficient level of service both internally and externally.

In addition to the AES equipment, there are several personal computers with word processing capabilities, including those at branch offices in Grand Falls and Corner Brook.

ADMINISTRATION DEPARTMENT

JIM CASEY — Director

Administration handles all administrative responsibilities for the head office in St. John's and the two regional offices in central and western Newfoundland. Administration looks after efficient and cost effective purchase of goods and services, building maintenance, property control and technical operations. It is also responsible for the payroll and benefits package for the Commission's staff.

Renovations were made in 1989 to regional offices in Corner Brook and Grand Falls. The staff complement for Grand Falls is seven while Corner Brook has a staff of five people. The alterations will enable staff in the regional offices to improve the level of services to clients.

The Micrographics Unit has converted all paper claims files, up to July 1988, to microfiche. All Financial Services, Administration, and Personnel files have been converted to microfiche.

Personnel

The Commission's staff training and development program has continued to be a challenging venture. Early in 1989, staff training needs were assessed and subsequently specific training programs were designed to address those needs.

These included: internal information sessions which provided all staff with detailed information on the purpose and functions of each department; in-house seminars which focused on topics such as "Effective Presentations" and "Enhancing Telephone Skills"; enhancing communications skills, both written and interpersonal, which was the focus of a number of programs offered to employees. Lunch hour videos concentrating on "Self Esteem" and "Peak Performance" were provided to interested staff.

In addtion, staff continued to receive direction and support in career and educational endeavors. Approximately 30% of staff participated in formal training. Three employees also received certificates for successfully completing post-secondary academic programs with the assistance of the Commission.

More than 70% of staff participated in informal training programs related to personal and professional development.

The Commission's commitment to the training and development of its staff will continue with a focus on initiatives in the areas of customer service training as well as management training and development.

During 1989, 19 new employees joined the Commission. Of these, eight had permanent status, and many temporary assignments and promotional opportunities continue to offer advancement and career diversification to both management and bargaining unit staff.

The permanent staff complement at year end was 148.

INTERNAL REVIEW

MIKE ROSE — Manager

Every working day Commission staff make significant decisions affecting the lives of injured workers, as well as the business operations of employers. The Commission is held accountable for these decisions through the Internal Review Process. The aim of this process is to make the best possible decision respecting the legislation, policy, and the principles of workers' compensation law.

Initially, disputed decisions are extensively reviewed within the relevant department. If the department's final decision is unacceptable, the process culminates with a written decision from a Hearings Officer after meeting with the dissatisfied parties. The Hearings Officer's ruling represents the Commission's final decision.

If a party disagrees with the Commission's final decision, they have a right to appeal to the Workers' Compensation Appeal Tribunal, an independent review board.

The Commission received 319 requests for internal review in 1989 which was down from 346 requests in 1988. It took an *average* of 4.5 weeks for an individual to receive a final decision from the departments. There are a variety of factors which contribute to lengthy reviews, such as seeking new medical or other evidence.

If requested, the Commission is often able to provide a hearing date within a month. However, postponements and other factors resulted in an overall average of six weeks before hearings took place. Following the hearings it took the Hearings Officer an average of three weeks to provide the final written decision.

Of 129 hearings held, just over 40% of the original departmental decisions were overturned or modified. It should be noted that some of the 129 hearings were from appeals made in 1988.

In addition to managing the Internal Review Process, the division is responsible for clerical activities related to the Workers' Compensation Appeal Tribunal (W.C.A.T.) process. This area is becoming increasingly demanding.

The division is also charged with the responsibility for controlling access to files, pursuant to the Freedom of Information Act. There were 562 requests for information resulting in 20,467 photocopies. The W.C.A.T. also requested copies of 93 files; at least another 4,000 to 5,000 photocopies.

QUALITY ASSURANCE

MARGARET HARRIS — Manager

The mandate of the Commission is to administer the Workers' Compensation Act. To attain the goals of the organization, the staff exercise responsibilities with demonstrated fairness, empathy and urgency towards resolving the problems experienced by the injured workers of the Province. The Commission provides the employers of the Province with a cost-effective insurance plan.

The disbursements the Commission authorizes from the Workers' Compensation Injury Fund must be consistent with Workers' Compensation Law, policies and procedures. Consistency in the Commisison's decisions must be demonstrated. Cases that are alike must be attended in a like manner.

The Commission affords medical and vocational rehabilitation to workers so that the effects of the workplace injury/disease will be reduced.

The Workers' Compensation legislation protects the employers of the Province from legal actions arising from workplace injuries.

The workers and employers must have confidence in the judgments of the Commission's staff.

In early 1989 the Commission decided to make a formalized Quality Assurance Program a permanent part of its operations.

A Quality Assurance Program is a formalized approach to providing a desired and achievable level of excellence in the service the Commission provides; a method of measuring the staff's performance against standards; a system for reporting on successes/deficiencies of each of the six operational departments; a process showing corrective action taken on deficiencies.

By the autumn of 1989 the functions of the six operational departments (Claims, Rehabilitation, Medical, Financial Services, Information Systems and Administration) were compiled.

In late 1989 each Department began preparation of a procedural manual. All the job procedures are being compiled and tested for their effectiveness to ensure consistency in decision making and prevention of service problems.

The achievable standards will be identified and implemented after the job procedures are compiled. The job standards have a two-fold purpose: (1) The Commission is committed to providing a high quality of service to the workers, employers and other stakeholders; (2) Workers' Compensation clients will have a greater appreciation for the level of service they can realistically expect.

COMMENTARY ON FINANCIAL STATEMENTS/FUNDING POLICY

The Commentary is provided to assist the reader in understanding the content and significance of the financial statements and accompanying notes.

Statement 1
BALANCE SHEET

The balance sheet gives the Commission's financial position at December 31, 1989. Assets refer to resources and property owned by the Commission, or owed to the Commission by others. They include cash and investments, land, building and equipment plus various accounts receivable.

Liabilities include accounts payable and actuarial estimates of amounts to be paid in future years for 1989 and prior years' injuries.

The reserve funds are amounts appropriated to fund the cost of specific expenditures and the accumulated class deficit is the accumulated excess of costs over revenue. Unfunded liability refers to the amount by which total liabilities exceed total assets.

Statement 2
REVENUE, EXPENDITURE AND ACCUMULATED CLASS DEFICIT

The income statement summarizes the Commission's operating activity for the year. Income consists of assessment revenue from employers, self insurers and interest earned on both short and long term investments.

Expenditures represent cost incurred for injured workers and dependents of fatally injured workers plus Administration, Occupational Health and Safety and Appeals Tribunal.

Net appropriations to reserves shows the amount set aside in the current year to fund reserves established for specific purposes.

The excess or deficiency of revenue over expenditures and net appropriations to reserve funds are added to or deducted from the accumulated class deficit.

Statement 3
LIABILITY FOR OUTSTANDING CLAIMS

The estimated liability for future costs of existing claims is the actuarial estimated amount required to meet future payments in respect of 1989 and prior years' injuries for temporary earnings loss, medical aid, rehabilitation, extended earnings loss, lump sums and dependency benefits.

The liability for dependency benefits and payments to permanently disabled workers is to set aside amounts to provide for future payments on established awards to dependents and permanently disabled workers.

The liability for extended earnings loss is the amount set aside to provide for future payments to age 65 on established extended earnings loss awards.

The liability or annuity payments is to set aside amounts to provide for established annuities to workers at age 65.

Statement 4
RESERVE FUNDS

The statement of reserve funds shows amounts for the various reserves that have been established for specific purposes. The closing balance represents the funds available to provide for future payments from these reserves.

Statement 5
CHANGES IN FINANCIAL POSITION

This statement sets out all the sources of funds and the uses to which those funds were put during the year. The statement shows the net change in cash and cash equivalents (short term investments) in 1989 from operating and investing activities.

Schedule 1
ADMINISTRATION EXPENSES

This schedule outlines the major types of administration expenses on a comparative basis — rental income and administrative fees charged to self insurers are deducted from overall administration costs.

Schedule 2
REVENUE EXPENDITURE AND ACCUMULATED CLASS DEFICIT BY CLASSES

This schedule gives a breakdown of revenue, expenditure and accumulated class deficit by the various classes of industry within the Province.

FUNDING RESERVES & LIABILITIES

Pursuant to Sections 85 and 104 of the Workers' Compensation Act, 1983, the Commission has developed a policy statement on aims and objectives regarding funding of reserves and funding of current and long term liabilities.

POLICY STATEMENT

The Commission's objective is to be in a fully funded position at the end of each calendar year — total assets to equal or exceed total liabilities.

At the end of each calendar year, the Commission's total assets consisted of:

(a) cash;
(b) temporary investments at cost;
(c) receivables (net of allowance for doubtful accounts);
(d) current book value of long-term investments; and
(e) depreciated value of fixed assets;

are compared to total liabilities and reserves consisting of:

(a) current liabilities;
(b) estimated liability for the future cost of existing claims;
(c) liability for dependency benefits and payments to permanently disabled workers;
(d) liability for extended earnings loss;
(e) liability for annuity payments;
(f) recapitalization reserve;
(g) disaster reserve;
(h) enhanced disabilities reserve;
(i) occupational health and safety reserve.

All liabilities in (a), (b), (c), (d) and (e) are calculated on current dollar values. It is the Commission's philosophy that if the Commission ceased operation at that point, additional liabilities would not be accrued.

FINANCIAL STATEMENTS & NOTES

	Auditors' Report
Statement 1	Balance Sheet
Statement 2	Revenue, Expenditure and Accumulated Class Deficit
Statement 3	Liability for Outstanding Claims
Statement 4	Reserve Funds
Statement 5	Changes in Financial Position
Statement 6	Notes to Financial Statements
Schedule 1	Administrative Expenses
Schedule 2	Revenue, Expenditure and Accumulated Class Deficit by Classes

AUDITOR'S REPORT

To the Board of Directors of
The Workers' Compensation Commission
of Newfoundland and Labrador

We have examined the balance sheet of The Workers' Compensation Commission of Newfoundland and Labrador as at December 31, 1989 and the statements of revenue, expenditure and accumulated class deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, except for the effect of changes, if any, in the liability for outstanding claims as referred to in Note 7, these financial statements present fairly the financial position of the Commission as at December 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Doane Raymond

Chartered Accountants

St. John's, Newfoundland

February 28, 1990

The Workers' Compensation Commission of Newfoundland and Labrador
Balance Sheet

	December 31 1989	1988
Assets		
Cash and short term investments	$ 15,272,775	$ 13,894,096
Receivables (Note 2)	9,858,754	8,595,296
Investments, at book value (Note 3)	78,940,479	72,642,350
Land, building, furniture and equipment (Note 4)	4,947,272	4,855,004
	$ 109,019,280	$ 99,986,746
Liabilities, Reserves and Accumulated Class Deficit		
Payables and accruals	$ 1,952,439	$ 1,305,894
Liability for outstanding claims (Statement 3)	141,939,091	109,393,993
	143,891,530	110,699,887
Reserve funds (Statement 4)	16,877,403	15,151,178
Accumulated class deficit	(51,749,653)	(25,864,319)
Unfunded liability	(34,872,250)	(10,713,141)
	$ 109,019,280	$ 99,986,746

On Behalf of The Commission

Chairperson

Chief Executive Officer

The Workers' Compensation Commission of Newfoundland and Labrador
Revenue, Expenditure and Accumulated Class Deficit

	Year Ended December 31	
	1989	1988
Revenue		
Assessments	$ 67,048,279	$ 61,287,774
Self-insurers	3,256,327	2,863,337
Investment income	9,159,623	7,515,400
	79,464,229	71,666,511
Expenditure		
Claims and dependency awards (Note 5)	93,840,083	62,037,631
Occupational health and safety	2,266,260	2,132,641
Administrative	7,237,520	6,157,845
Appeals tribunal	279,475	188,807
	103,623,338	70,516,924
Excess of revenue over expenditure (expenditure over revenue)	(24,159,109)	1,149,587
Accumulated class deficit, beginning of year	(25,864,319)	(24,253,819)
	(50,023,428)	(23,104,232)
Net appropriations to reserve funds	(1,726,225)	(2,760,087)
Accumulated class deficit, end of year	$ (51,749,653)	$ (25,864,319)

The Workers' Compensation Commission of Newfoundland and Labrador
Liability for Outstanding Claims
Year Ended December 31, 1989

	Estimated Liability for Future Costs of Existing Claims	Liability for Dependency Benefits and Payments to Permanently Disabled Workers	Liability for Extended Earnings Loss	Liability for Annuity Payments	Total
Balance, beginning of year	$ 49,602,802	$ 51,279,285	$ 7,388,212	$ 1,123,694	$ 109,393,993
Additions:					
Transfers in	56,996,351	2,155,600	7,612,300	590,636	67,354,887
Investment income allocated		4,507,281	1,026,253	185,904	5,719,438
	56,996,351	6,662,881	8,638,553	776,540	73,074,325
Deductions:					
Benefits paid or charged with respect to claims	29,394,651	9,518,581	1,592,977	23,018	40,529,227
Balance, end of year	$ 77,204,502	$ 48,423,585	$ 14,433,788	$ 1,877,216	$ 141,939,091

The Workers' Compensation Commission of Newfoundland and Labrador
Reserve Funds
Year Ended December 31, 1989

	Disaster Reserve	Enhanced Disabilities Reserve	Recapitalization Reserve	Occupational Health and Safety Reserve	Total
Balance, beginning of year	$ 10,000,000	$ 899,592	$ 1,207,231	$ 3,044,355	$ 15,151,178
Additions:					
Appropriations	794,248	672,278	1,392,309	1,528,282	4,387,117
Deductions:					
Benefits charged with respect to claims	794,248	659,413	1,207,231		2,660,892
Net appropriations		12,865	185,078	1,528,282	1,726,225
Balance, end of year	$ 10,000,000	$ 912,457	$ 1,392,309	$ 4,572,637	$ 16,877,403

The Workers' Compensation Commission of Newfoundland and Labrador
Changes in Financial Position

	Year Ended December 31	
	1989	1988
Cash provided from (used for)		
Operating activities (Note 6)	$ 8,445,566	$ 12,475,617
Investing activities		
Proceeds from sale and maturity of investments	83,250,045	195,825,427
Purchase of		
Investments	(89,788,219)	(197,845,415)
Building additions	(51,822)	(181,409)
Furniture and equipment	(476,891)	(179,494)
	(7,066,887)	(2,380,891)
Net cash provided	1,378,679	10,094,726
Cash and short term investments, beginning of year	13,894,096	3,799,370
Cash and short term investments, end of year	$ 15,272,775	$ 13,894,096

The Workers' Compensation Commission of Newfoundland and Labrador
Notes to Financial Statements
December 31, 1989

1. Accounting policies

Assessment revenue

i) At the beginning of each year, an assessment is levied on employers by applying industry assessment rates to their estimated payrolls. At year end, this assessment revenue is adjusted based on the average difference of actual to estimated payrolls for the three years prior to the current year.

ii) Uncollectible assessment balances are charged against assessment revenue.

Investments

i) A gain or loss on the sale or exchange of investments is deferred and amortized to investment income over ten years. In cases where it is felt that a permanent impairment in the book value has occurred, the investment is written down to current market value and the write-down amortized to investment income over ten years.

ii) Investment income is allocated to the liability for dependency benefits and payments to permanently disabled workers and to the liability for extended earnings loss on the basis of 9.5% and allocated to the liability for annuity payments on the basis of the actual yield (13.6%) earned on the Commission's investment portfolio. The remaining balance is prorated to the classes.

Depreciation

Depreciation of fixed assets is recorded on the straight-line method at the rates indicated below.

Building	2 1/2%
Furniture and equipment	10%; 20%

Pension Costs

All permanent employees of the Commission are covered by the Public Service Superannuation Plan administered by the Province of Newfoundland. Contributions to the plan are required from both the employees and the Commission. The annual contributions for pensions are recognized in the accounts on a current basis.

The Workers' Compensation Commission of Newfoundland and Labrador
Notes to Financial Statements
December 31, 1989

1. Accounting policies (cont'd.)

Estimated liability for future costs of existing claims

This liability represents the estimated amount required to meet future payments in respect of 1989 and prior years' injuries.

The estimated liability has been calculated using actuarial factors based on actual payments to workers in prior years, including experience to December, 1988 for Temporary Earnings Loss and Medical Aid, and experience to August, 1989 for Extended Earnings Loss and Rehabilitation. This liability is to be reviewed every two years.

Liability for dependency benefits and payments to permanently disabled workers

The purpose of this liability is to set aside amounts to provide for the future payments on established awards to dependents and permanently disabled workers.

The capitalization of the awards and the resulting calculation of the liability is determined on an actuarial basis, to be reviewed every two years.

The latest actuarial report was prepared on the basis of financial information available to December 31, 1988.

Liability for extended earnings loss

The purpose of this liability is to set aside amounts to provide for the future payments on established extended earnings loss awards.

The capitalization of the awards and the resulting calculation of the liability is determined by discounting estimated future monthly payments to age 65.

Liability for annuity payments

This liability represents the amount set aside to provide for established annuities to workers at age 65.

The Workers' Compensation Commission of Newfoundland and Labrador
Notes to Financial Statements
December 31, 1989

1. Accounting policies (cont'd.)

Appropriation to reserve funds

i) Appropriation reserves for disaster and enhanced disabilities are calculated as a percentage of annual assessment revenue as follows:

Disaster	5%
Enhanced disabilities	1%

The disaster reserve is limited to a maximum of ten million dollars.

ii) The Commission has established a recapitalization reserve sufficient in amount to cover the cost of the subsequent year's statutory increase.

An adjustment of $1,392,309 was made in 1989 to increase the reserve to the amount required to fund the 1990 statutory increase.

iii) An amendment to the Regulations of the Occupational Health and Safety Act in 1986 provides for the funding, by the Commission, of special projects and studies relating to the enhancement of occupational health and safety in the work place.

Under the terms of the Regulations, the Commission is required to set aside a reserve to a maximum of five million dollars. Annual transfers to this reserve are calculated as 2% of annual assessment and investment income. Special projects to be charged to this reserve must receive prior approval of the Lieutenant-Governor in Council.

An adjustment of $1,528,282 was made in 1989 to increase the reserve to the amount required under these Regulations.

The Workers' Compensation Commission of Newfoundland and Labrador
Notes to Financial Statements
December 31, 1989

2. Receivables

	1989	1988
Assessments (less allowance for doubtful accounts ($3,026,619; 1988 - $2,172,613)	$ 3,879,852	$ 4,137,782
Provision for unbilled assessments	4,065,422	2,910,980
Interest	1,561,088	1,251,493
Self-insurers	336,241	229,916
Other	16,151	65,125
	$ 9,858,754	$ 8,595,296

Estimated assessments for 1989 will be revised in 1990 on the basis of actual payroll returns filed by employers. A provision for unbilled assessments has been made to reflect these anticipated revisions.

3. Investments, at book value

	1989	1988
Bonds and debentures	$ 57,422,456	$ 53,278,593
Equities	19,601,173	17,171,789
Unamortized portion of losses on sale or exchange of investments	1,916,850	2,191,968
	$ 78,940,479	$ 72,642,350
Market value		
Bonds and debentures	$ 56,970,911	$ 51,102,202
Equities	20,229,787	16,907,333
	$ 77,200,698	$ 68,009,535

4. Land, building, furniture and equipment

	1989			1988
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	$ 10,830		$ 10,830	$ 10,830
Building	5,437,511	$ 1,258,446	4,179,065	4,263,181
Furniture and equipment	2,820,032	2,062,655	757,377	580,993
	$ 8,268,373	$ 3,321,101	$ 4,947,272	$ 4,855,004

The Workers' Compensation Commission of Newfoundland and Labrador
Notes to Financial Statements
December 31, 1989

5. Excess of revenue over expenditure (expenditure over revenue)

In 1989 an actuarial review was performed on experience gathered from 1984 to 1989 for the purpose of estimating the future costs of existing claims of the rehabilitation and extended earnings loss programs that were introduced in 1984. Based on this actuarial review, an estimated liability of $10,632,350 has been recorded at December 31, 1989 for workers injured in 1989 for the rehabilitation and extended earnings loss programs. An additional estimated liability of $16,273,130 has been recorded at December 31, 1989 for workers injured prior to 1989.

Prior to 1989, the actuary felt that sufficient injury experience was not available for these two benefit programs to compute sound actuarial estimates. Accordingly, the Commission estimated the future costs of these programs based on actuarial factors developed in prior years for the temporary earnings loss program. At December 31, 1988 an amount of $2,309,325 was included in the estimated liability for future costs of existing claims using these actuarial factors.

The increase in the estimated liability for future costs of existing claims resulting from the 1989 actuarial review has been recorded in the claims and dependency awards expenditure for 1989.

6. Cash from operating activities

	1989	1988
Cash provided from (used for)		
Excess of revenue over expenditure (expenditure over revenue)	$(24,159,109)	$ 1,149,587
Depreciation	436,445	547,392
Amortization of losses on investments	240,045	243,552
	(23,482,619)	1,940,531
Changes in		
Receivables	(1,263,458)	(1,547,893)
Payables and accruals	646,545	323,014
Liability for outstanding claims	32,545,098	11,759,965
	$ 8,445,566	$ 12,475,617

The Workers' Compensation Commission of Newfoundland and Labrador
Notes to Financial Statements
December 31, 1989

7. Other matter

Amendments to the Workers' Compensation Act and Regulations effective January 1, 1984 have resulted in significant changes in the nature and amount of payments to injured workers. Experience of the rehabilitation and extended earnings loss programs was reviewed by the Commission's actuary in 1989 and the results are documented in Note 5 of the financial statements. However, sufficient experience is not yet available to estimate the full effect of legislated changes on the liability for outstanding claims.

8. Comparative figures

Certain of the 1988 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1989.

The Workers' Compensation Commission of Newfoundland and Labrador
Administrative Expenses

Schedule 1

	Year Ended December 31	
	1989	1988
Building operations and maintenance	$ 343,860	$ 290,021
Computer services	111,618	102,348
Depreciation	436,445	547,392
Directors' fees	22,850	29,544
Miscellaneous	47,452	46,037
Printing and supplies	130,892	151,851
Professional services	241,260	266,270
Review committee		43,453
Salaries and benefits	5,925,913	4,593,854
Telephone, postage and general office	653,292	645,980
Travel	194,223	178,881
Vehicle operating	116,286	111,293
	8,224,091	7,006,924
Deduct:		
Rental income	301,632	299,248
	7,922,459	6,707,676
Administrative expenses charged to self-insurers as follows:		
Government of Newfoundland and Labrador	354,562	305,766
Government of Canada	159,305	108,793
Terra Transport (CNR)	64,504	61,769
Marine Atlantic	61,723	47,273
Newfoundland Dockyard	23,366	19,607
Memorial University of Newfoundland	21,479	6,598
Quebec North Shore and Labrador Railway		25
	684,939	549,831
	$ 7,237,520	$ 6,157,845

The Workers' Compensation Commission of Newfoundland and Labrador
Statement of Revenue, Expenditure and Accumulated class Deficit by Classes
Year Ended December 31, 1989

Schedule 2

	1989 Totals	Class 1 Mining	Class 2 Forest Products	Class 3 Manu-facturing	Class 4 Construction	Class 5 Trans-portation	Class 6 Service Industries	Class 7 Fishing	Class 9 Self-Insurers	Transferred to Liability Accounts
Revenue										
Assessments	$ 67,048,279	$ 5,032,567	$ 2,215,935	$ 5,336,833	$ 11,028,331	$ 4,043,954	$ 26,374,142	$13,016,517		
Self-insurers	3,256,327								$ 3,256,327	
Investment income	9,159,623	269,565	100,534	284,668	532,587	218,422	1,406,014	628,395		5,719,438
	79,464,229	5,302,132	2,316,469	5,621,501	11,560,918	4,262,376	27,780,156	13,644,912	3,256,327	5,719,438
Expenditure										
Claims and dependency awards (Note 5)	93,840,083	4,566,224	5,903,242	4,801,350	10,120,365	5,677,236	38,572,119	15,223,782	3,256,327	5,719,438
Occupational health and safety	2,266,260	148,350	124,917	176,705	321,692	128,137	904,024	462,435		
Administrative	7,237,520	473,770	398,935	564,325	1,027,353	409,218	2,887,087	1,476,832		
Appeals tribunal	279,475	18,295	15,405	21,791	39,671	15,802	111,483	57,028		
	103,623,338	5,206,639	6,442,499	5,564,171	11,509,081	6,230,393	42,474,713	17,220,077	3,256,327	5,719,438
Excess of expenditure over revenue	(24,159,109)	95,493	(4,126,030)	57,330	51,837	(1,968,017)	(14,694,557)	(3,575,165)		
Accumulated class deficit, beginning of year	(25,864,319)	(2,254,871)	(1,881,109)	(2,154,198)	(143,171)	241,079	(13,764,740)	(5,907,309)		
	(50,023,428)	(2,159,378)	(6,007,139)	(2,096,868)	(91,334)	(1,726,938)	(28,459,297)	(9,482,474)		
Net appropriations to reserve funds	(1,726,225)	(125,644)	(61,065)	(135,757)	(280,365)	(105,112)	(675,273)	(343,009)		
Accumulated class deficit, end of year	$(51,749,653)	$(2,285,022)	$(6,068,204)	$(2,232,625)	$ (371,699)	$(1,832,050)	$(29,134,570)	$(9,825,483)		

STATISTICS

- Summary of Benefits
- 1989 Temporary Earnings Loss Claims by Body Part
- Claims Reported for Current & Prior Years / Fatal Compensible Injuries — 1980-1989
- Temporary Earnings Loss Claims 1989 by Class & Cause of Injury / Temporary Earnings Loss Claims 1989 by Class & Part of Body
- Temporary Earnings Loss Claims 1989 by Class & Nature of Injury
- Rehabilitation Caseload by Year
- Rehabilitation Deployment of Costs
- Rehabilitation Deployment of Programs
- Revenue Sources
- Expenditure Distribution
- Net Appropriations to Reserves
- Total Reserve Funds
- Liability for Outstanding Claims
- Assessable Payroll / Average Assessment Rates

SUMMARY 1989

SUMMARY OF BENEFITS - 1989

Compensation Benefits:

Maximum annual earnings on which compensation is paid $45,500.00

Rate of compensation:

(1) 1983 and prior years claims	75% of gross income
(2) 1984 and subsequent years claims	90% of net income

Maximum weekly compensation $599.81

Minimum weekly compensation ..... $200.00, or actual net earnings if less

Dependents Benefits:

(a) Where death resulted from an injury which occurred prior to 1982 01 01

Initial lump sum to spouse	$1,120.00
Monthly spouse's allowance effective 1989 01 01	$ 571.47
Children's allowance, up to age 16, or 21 if attending school effective 1989 01 01	$ 139.39
Funeral expenses	$1,500.00

(b) Where death resulted from an injury which occurred on or after 1982 01 01 initial lump sum to spouse is based on 2½ times worker's compensable income to a maximum of $77,974.65

Maximum monthly allowance	$1,949.37
Funeral Expenses effective 1989 01 01	$1,500.00

Rehabilitation Benefits:

While a worker is engaged in a rehabilitation program, benefits are maintained at total earnings-loss replacement levels. Additional costs associated with training programs are also covered.

Medical Aid:

All medical expenses incurred by a worker, related to the compensable injury, including hospital, doctors, drugs and normal travel costs, are covered by the Commission.

Personal Care:

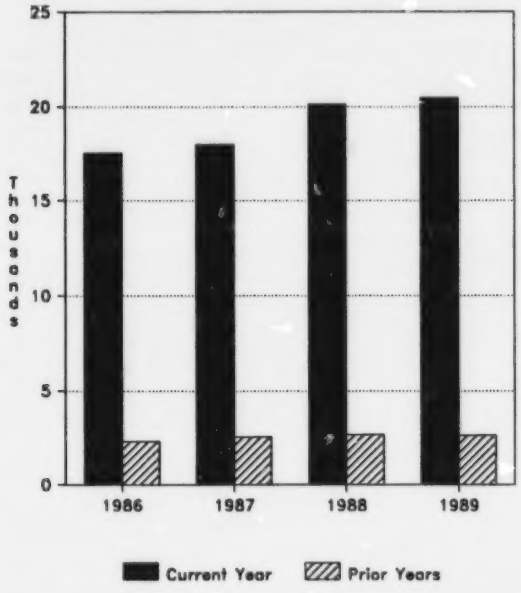
Where a worker requires special personal care during the period of recuperation, an allowance may be provided, ranging from $100 to $1,250 per month, depending on the severity of the injury.

1989 TEMPORARY EARNINGS LOSS CLAIMS BY BODY PART

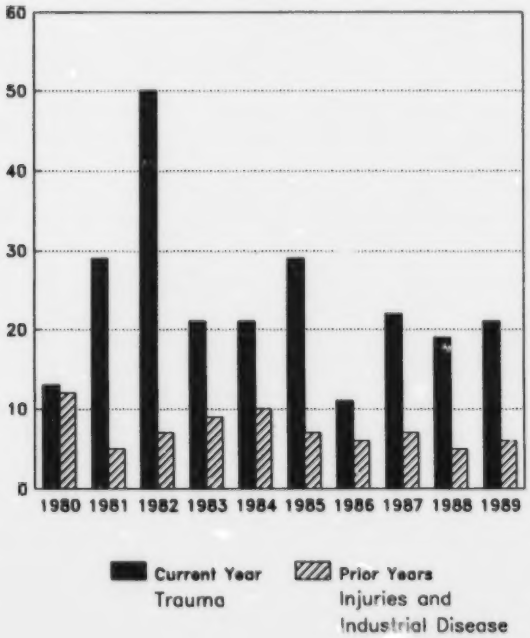
	Number of Claims	Percent of Claims
HEAD	105	1.0%
EYES	485	4.5%
FACE/EARS	64	0.6%
NECK	266	2.5%
SHOULDERS	680	6.4%
UPPER ARM	155	1.5%
CHEST	364	3.4%
ELBOW	172	1.6%
FOREARM	287	2.7%
BACK/SPINE	3081	29.0%
HANDS/FINGERS	2542	23.9%
PELVIC AREA	227	2.1%
THIGH	131	1.2%
KNEE	426	4.0%
LOWER LEG	174	1.6%
FOOT/TOES	971	9.1%

Circulatory	-	-
Gastrointestinal	33	0.3%
Genitourinary	-	-
Miscellaneous	2	-
Multiple Injuries	455	4.3%
Nervous System	1	-
Other Systems	7	0.1%
Respiratory	14	0.1%

CLAIMS REPORTED FOR CURRENT AND PRIOR YEARS



FATAL COMPENSABLE INJURIES 1980 - 1989



TEMPORARY EARNINGS LOSS CLAIMS 1989

BY CLASS AND CAUSE OF INJURY

NATURE OF INJURY	Mining Class 1	Forest Products Class 2	Manu-facturing Class 3	Construc-tion Class 4	Transport-ation Class 5	Sales Service Class 6	Fishing Class 7	Reserves Class 8	Self Insurers Class 9	Total
Bodily Reaction	89	104	309	314	176	2254	755		500	4501
Caught In, On, or Between	37	25	72	61	37	234	183		75	724
Collisions	6	1	4	11	17	31	1		16	87
Contact with Electrical				8		1			1	10
Contact with Radiation	4	3	15	2	2	75	13	1	6	121
Contact with Temp Extreme	5	4	22	13	2	128	16	1	16	207
Fall from Elevation	32	29	71	174	56	286	106	1	123	878
Fall from Same Level	9	17	22	26	24	219	114	1	67	499
Miscellaneous	3	3	2	10	3	42	9		15	87
Rubbed or Abraded	33	66	227	199	25	640	749		123	2062
Striking Against	26	19	64	64	30	254	152		83	692
Struck By	35	46	72	78	38	301	123	1	80	774
TOTALS	279	317	880	960	410	4465	2221	5	1105	10642

TEMPORARY EARNINGS LOSS CLAIMS 1989

BY CLASS AND PART OF BODY

PART OF BODY	Mining Class 1	Forest Products Class 2	Manu-facturing Class 3	Construc-tion Class 4	Transport-ation Class 5	Sales Service Class 6	Fishing Class 7	Reserves Class 8	Self Insurers Class 9	Total
Back and Spine	67	86	219	271	144	1503	435	3	353	3081
Chest	11	12	30	31	19	137	75		49	364
Eyes	11	15	81	93	12	168	64		41	485
Feet and Toes	31	42	75	112	61	416	117		117	971
Gastrointestinal						33				33
Hands and Fingers	59	36	227	170	46	870	953		181	2542
Head and Neck	16	16	42	34	17	204	52		54	435
Miscellaneous						1			1	2
Mult. Injury	18	19	31	46	20	200	60		61	455
Nervous System						1				1
Other Lower	34	49	64	88	25	260	114		97	731
Other Trunk	19	26	61	55	38	429	182	1	103	914
Other Upper	13	16	47	60	28	238	166		46	614
Respiratory			3			5	3	1	2	14
TOTALS	279	317	880	960	410	4465	2221	5	1105	10642

TEMPORARY EARNINGS LOSS CLAIMS 1989

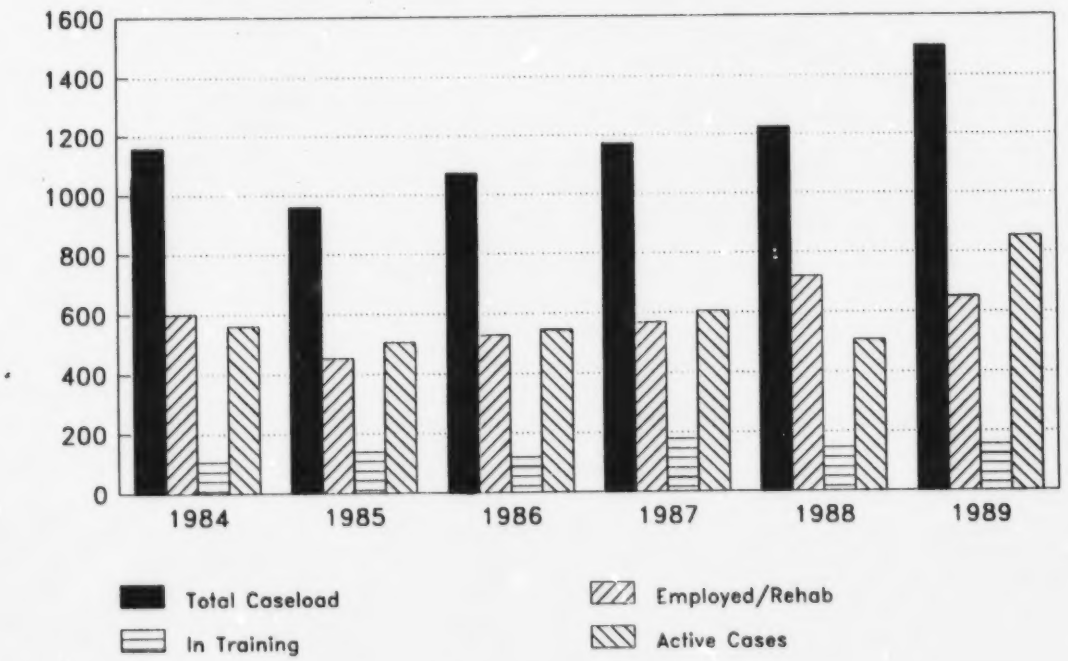
BY CLASS AND NATURE OF INJURY

NATURE OF INJURY	Mining Class 1	Forest Products Class 2	Manu-facturing Class 3	Construc-tion Class 4	Transport-ation Class 5	Sales Service Class 6	Fishing Class 7	Reserves Class 8	Self Insurers Class 9	Total
Abrasions	9	15	72	87	10	153	61		36	443
Amputation	2		2	2		1	1		2	10
Burns	6	6	28	17	4	139	22		20	242
Concussions				1	1	1	2		1	6
Contact with Electrical				7		2			1	10
Contagious and Infectious			1			4	1			6
Contusions	54	59	161	181	73	669	420	3	205	1825
Dislocation				5		5			1	11
Fracture	22	13	27	64	31	118	49		30	354
Hernia		1	1	1		3			2	8
Irritation Joints/Muscles						1	3			4
Miscellaneous	2	2	1	9	3	32	6		12	67
Multiple Injuries	3	1		2	1	5	1		1	14
Non Personal Damage					1	1				2
Occupational Illness				1		3	1		2	7
Open Wounds	34	69	147	123	26	467	603		89	1558
Poisoning Inhalation	2	1	4	1		43	3	1	1	56
Psychological/Unidentified			2	1		4				7
Radiation Effects	2		5	5			1			13
Skin Inflamation			3			15	4			22
Sprains	143	150	426	453	260	2799	1043	1	702	5977
TOTALS	279	317	880	960	410	4465	2221	5	1105	10642

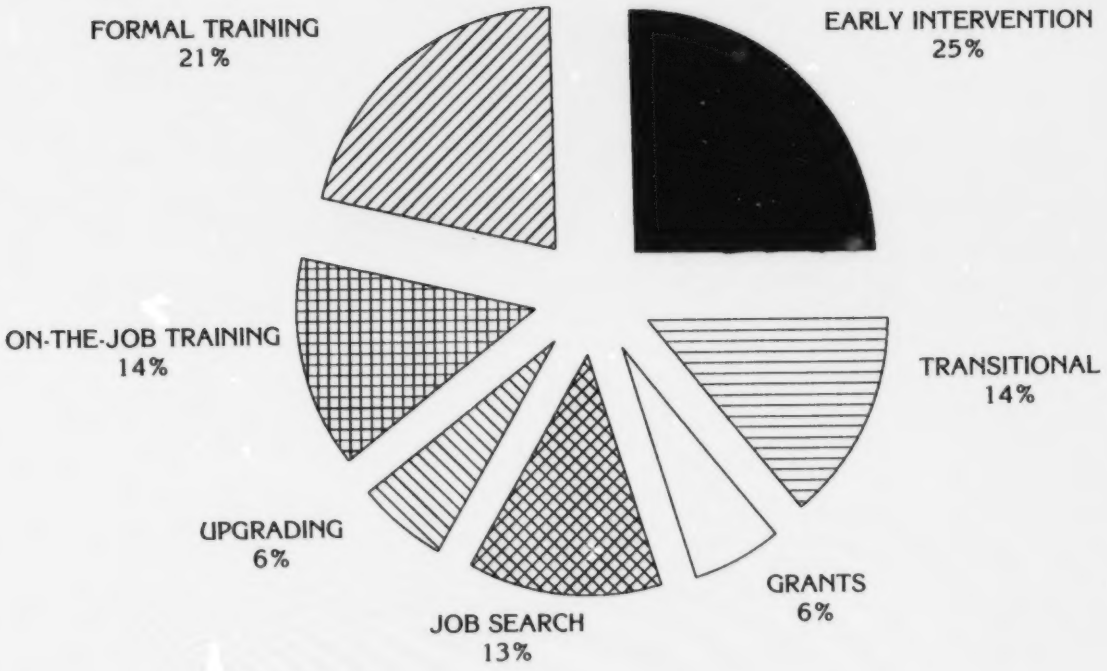
REHABILITATION CASELOAD BY YEAR

	1989		1988		1987		1986		1985		1984	
No. of Counsellors	9		9		5		5		5		5	
Returned to Employment	422		338		277		277		225		340	
Programmed	187		339		242		173		167		199	
Refused Services			9		11		16		20		29	
Non Vocational Matter	38		32		37		47		23		29	
Other Closures							15		16			
Resolved Cases	647	(43%)	718	(59%)	567	(48%)	528	(49%)	451	(46%)	597	(51%)
Presently in Training	155		144		176		118		138		104	
Other Programs	309		101		40		25					
Under Medical Treatment	237		137		119		186		161		272	
Unsuccessful to Date	71		39		128		89		63		41	
Not Contacted	80		85		141		126		126		142	
Active Cases	852	(57%)	506	(41%)	604	(52%)	544	(51%)	488	(54%)	559	(49%)
Total Caseload	1,499		1,224		1,171		1,072		956		1,156	

REHABILITATION CASELOAD BY YEAR

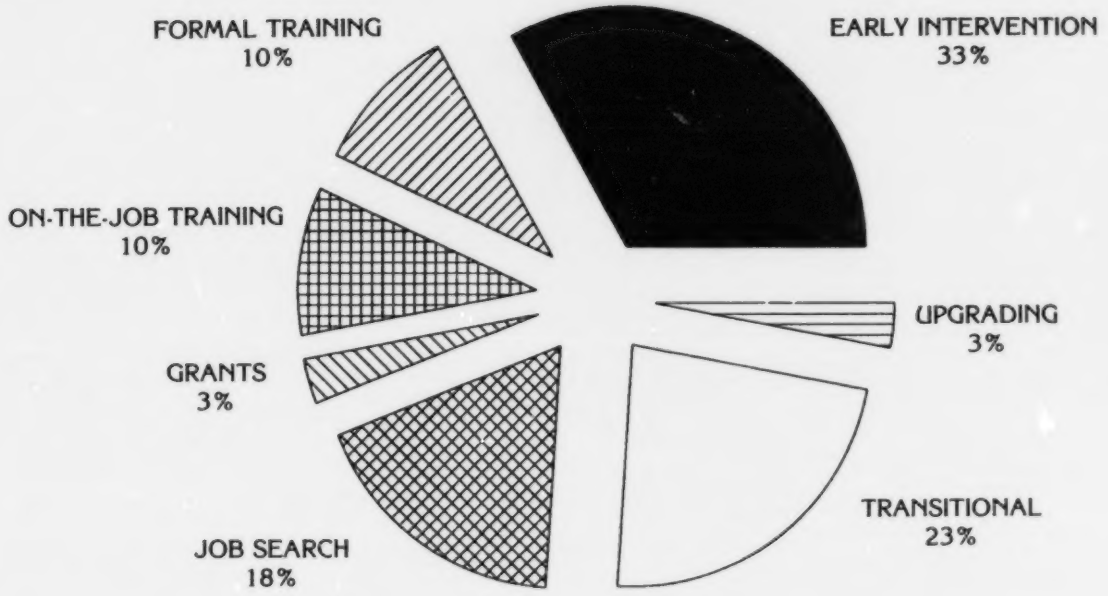


REHABILITATION
DEPLOYMENT OF COSTS



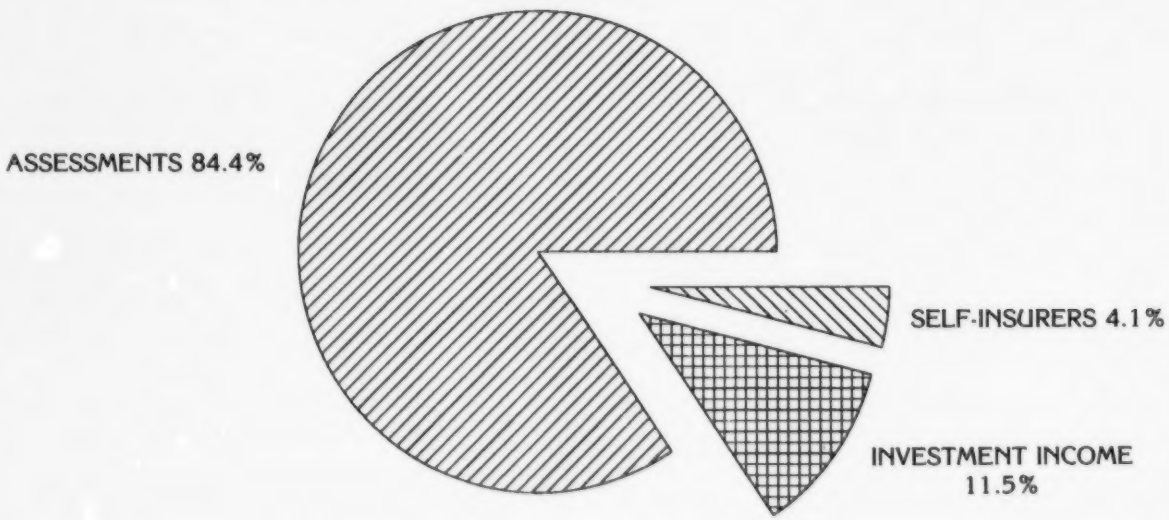
CASH PAYMENTS — $5.9 MILLION

REHABILITATION
DEPLOYMENT OF PROGRAMS

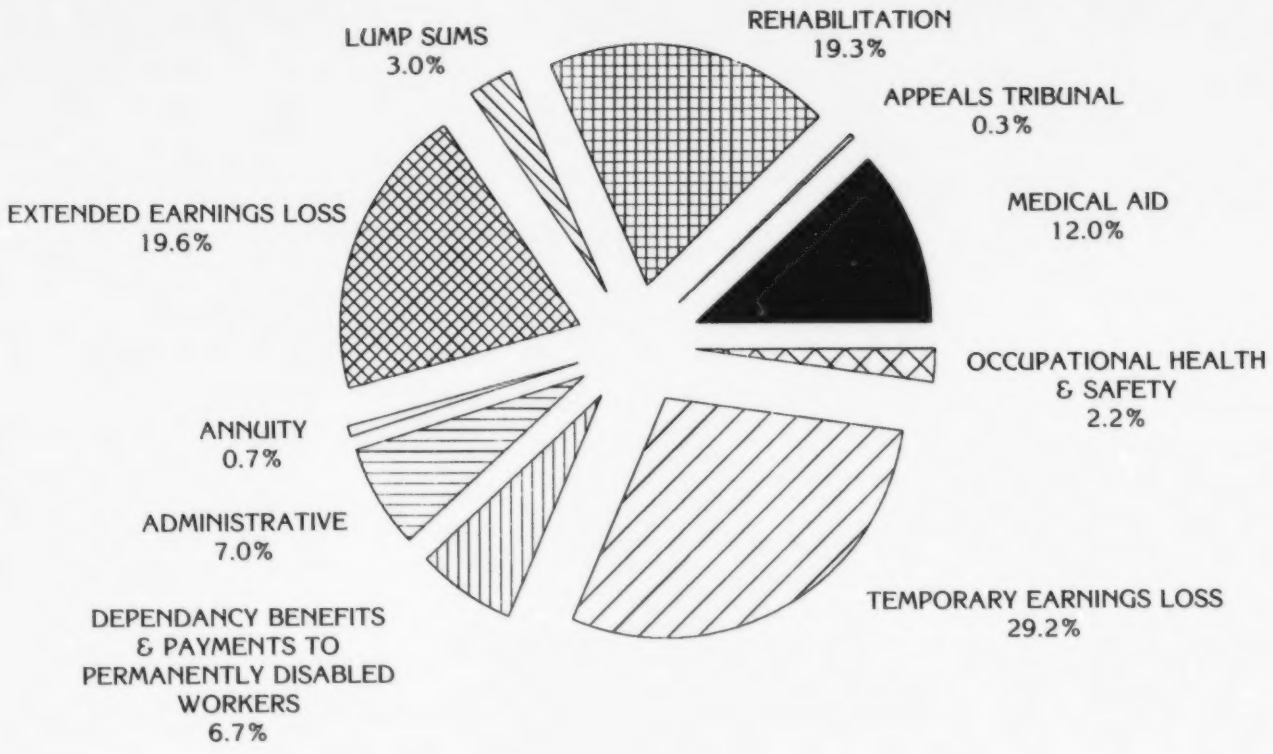


TOTAL NO. OF PROGRAMS — 1,562

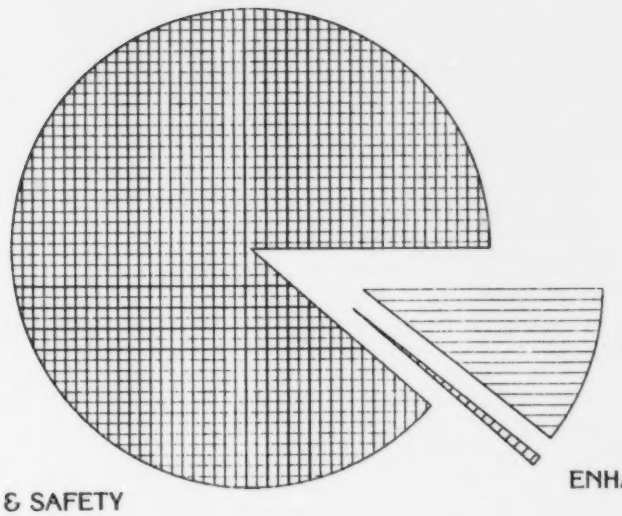
REVENUE SOURCES
$79,464,229



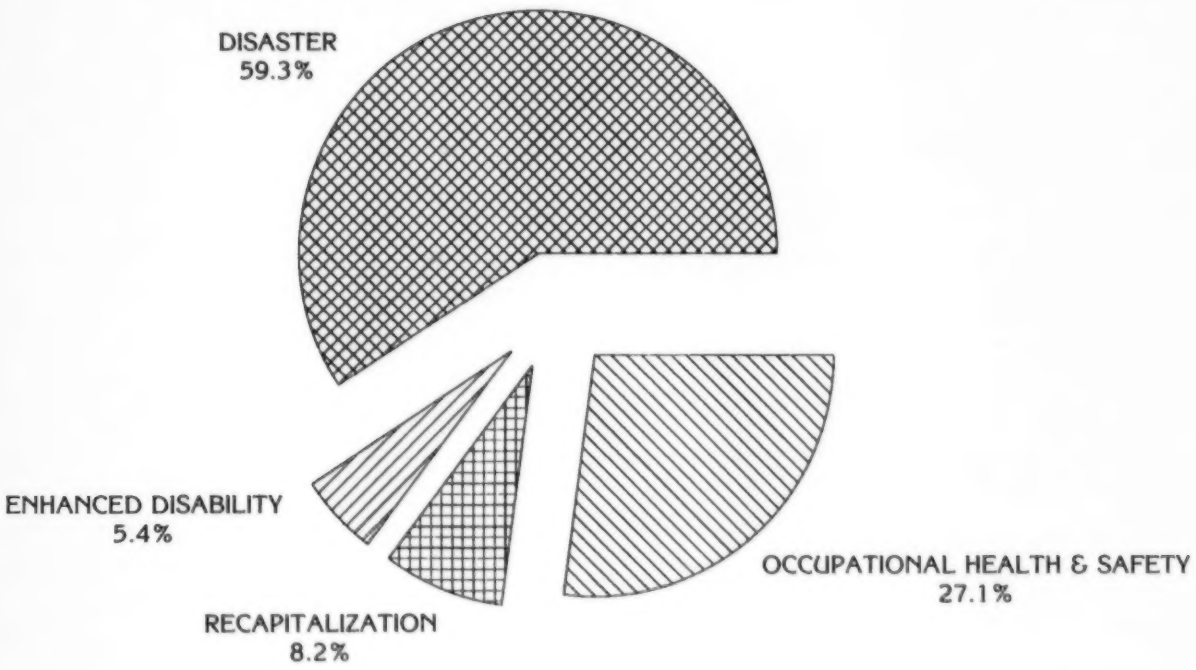
EXPENDITURE DISTRIBUTION
$103,623,338



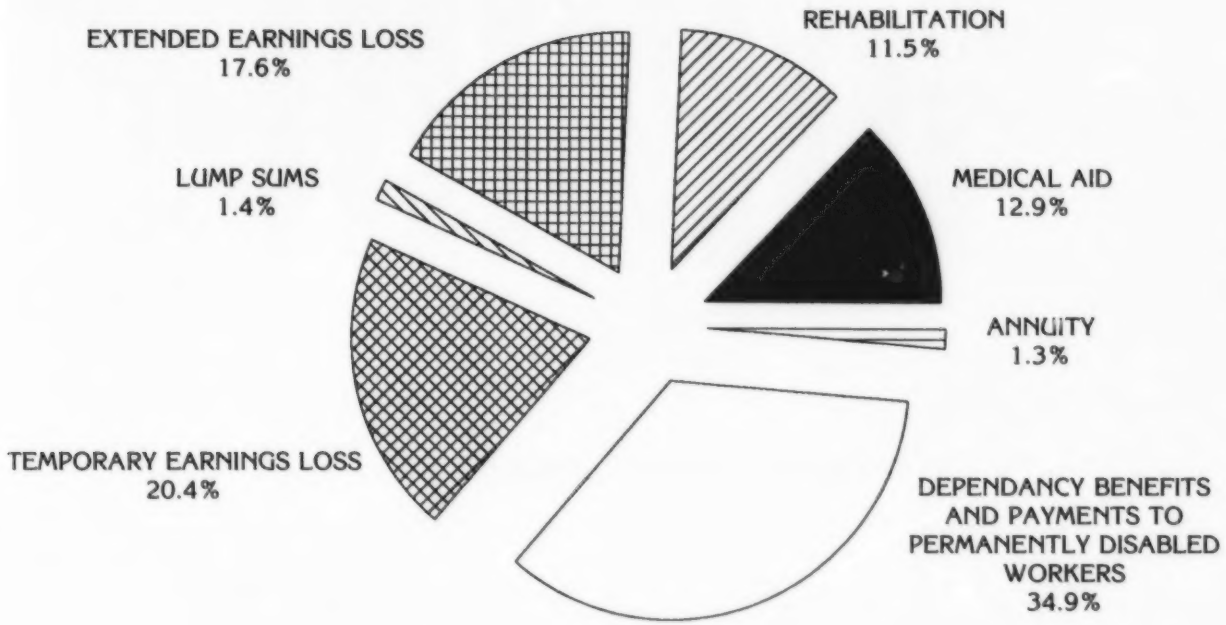
NET APPROPRIATIONS TO RESERVES
$1,726,225



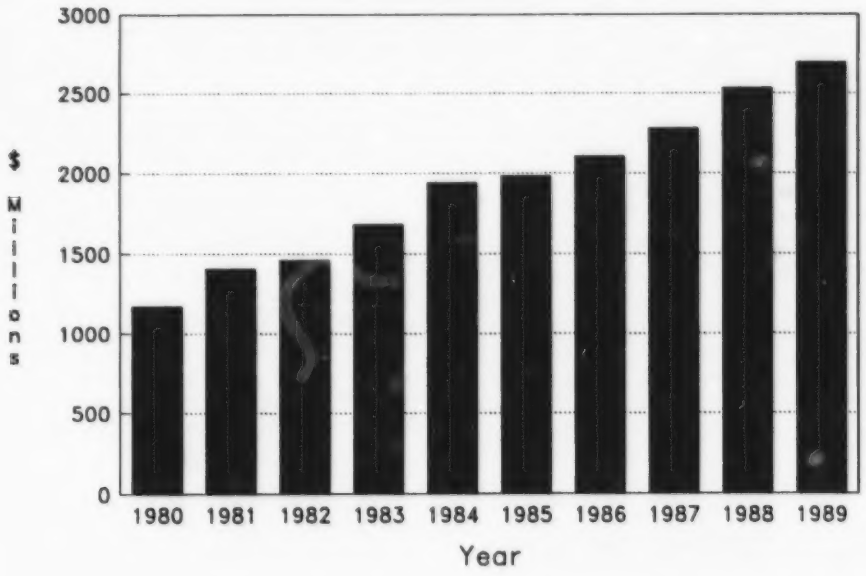
TOTAL RESERVE FUNDS
$16,877,403



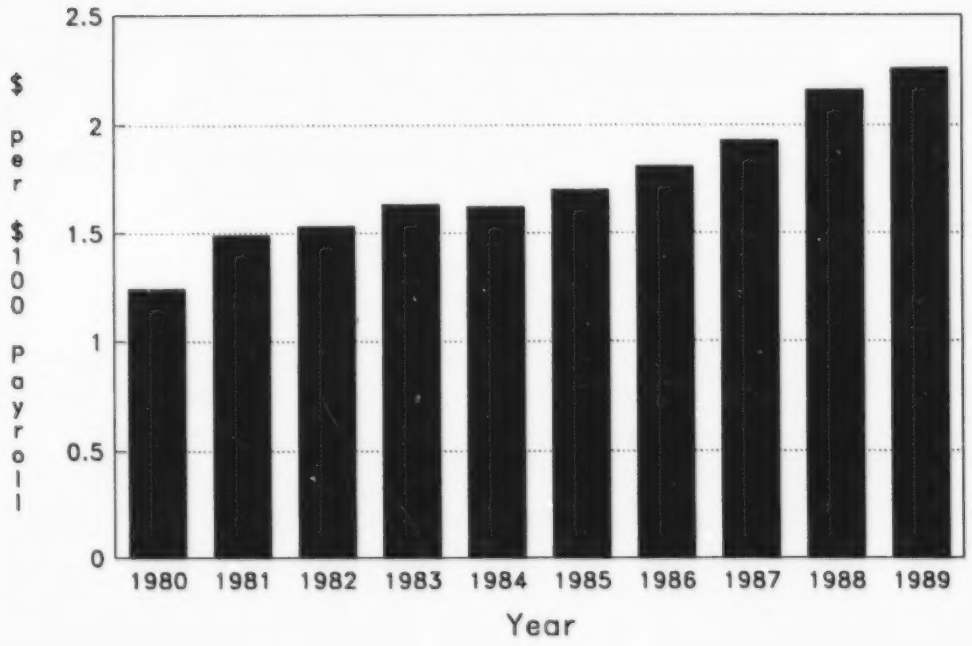
LIABILITY FOR OUTSTANDING CLAIMS
$141,939,091



ASSESSABLE PAYROLL



AVERAGE ASSESSMENT RATES



NOTE: ASSESSABLE PAYROLLS are based on Employer Estimates as at December 31 of each year. AVERAGE ASSESSMENT RATES are calculated on those estimates.